

Message Text

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PAGE 01 EC BRU 06755 041955Z

62

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01 CIEP-03

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

NSC-07 SS-20 L-03 H-03 FEA-02 SCI-06 PA-04 USIA-15

PRS-01 DRC-01 /175 W

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R 041817Z SEP 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7410

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

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E.O. N/A

TAGS: EFIN, EEC

SUBJECT: EC FINANCIAL DISCUSSIONS

REF: (A) EC BRUSSELS 5302 (B) EC BRUSSELS 5188

1. SUMMARY: THE EC MONETARY COMMITTEE IS CURRENTLY STUDYING THE
POSSIBILITY OF AN EC MEDIUM-TERM BORROWING WHICH WOULD BE USED FOR
LOANS TO HARD-PRESSED MEMBER STATES. THE CENTRAL BANKERS' COM-
MITTEE IS EXPECTED TO ACT FAVORABLY ON ROLLING-OVER THE SHORT-TERM

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PAGE 02 EC BRU 06755 041955Z

CREDIT TO ITALY. END SUMMARY

2. THERE HAS BEEN A RUSH OF ACTIVITY BY THE COMMISSION IN RECENT DAYS TO PREPARE FOR SEVERAL EC FINANCIAL MEETINGS. COMMISSION OFFICIALS HAVE REACTED FAVORABLY TOWARD THE FRG'S DECISION TO GRANT A TWO BILLION DOLLAR GOLD COLLATERAL LOAN TO ITALY. SEVERAL OFFICIALS NOTED THAT USE OF GOLD AS COLLATERAL NOW IMPLEMENTS THE C-10 DECISION AND WOULD SET A PRECEDENT FOR SIMILAR ARRANGEMENTS IN THE FUTURE. COMMISSION DIRECTOR FOR MONETARY AFFAIRS, JOHN NASH, MADE A QUICK TRIP TO ITALY TO DISCUSS WITH TOI AUTHORITIES A POSSIBLE EC LOAN. AFTER HIS RETURN NASH WENT DIRECTLY INTO SERIES OF PREPARATORY MEETINGS FOR MONETARY COMMITTEE MEETING ON SEPT. 4-5. WE HAVE NOT YET RECEIVED A REPORT OF THE OUTCOME OF THESE DISCUSSIONS.

3. WE ARE TOLD THAT THE MONETARY COMMITTEE WILL BE TAKING UP THE FOLLOWING TOPICS INTER ALIA: (1) THE EXTENSION OF THE CURRENT SHORT-TERM CREDIT TO ITALY AMOUNTING TO ABOUT \$1.9 BILLION WHICH IS DUE TO EXPIRE ON SEPT. 18; (2) A PLAN FOR A POSSIBLE MEDIUM-TERM COMMUNITY BORROWING TO BE USED TO ASSIST MEMBER STATES FACING DIFFICULTIES BECAUSE OF THE INCREASED PRICE OF OIL; (3) A FRENCH PROPOSAL TO REVALUE MEMBER STATE'S GOLD RESERVES; AND (4) POLICY GUIDELINES REGARDING THE COORDINATION OF ECONOMIC POLICIES AND ANTE-INFLATION MEASURES IN MEMBER STATES. THE COMMITTEE'S VIEWS WILL SERVE AS THE BASIS FOR THE EC FINANCE MINISTERS WHO WILL BE MEETING IN BRUSSELS ON SEPT. 16.

4. THE CENTRAL BANKERS'S COMMITTEE WILL BE MEETING IN BASEL ON SEPT. 9-10. OFFICIALS WHOM WE HAVE CONTACTED EXPECT THIS MEETING TO ACT FAVORABLY ON EXTENDING THE SHORT-TERM CREDIT TO ITALY. THIS EC CREDIT IS PROVIDED THROUGH BILATERAL SWAP ARRANGEMENTS BETWEEN THE CENTRAL BANKS.

5. THE COMMISSION HAS ACCELERATED ITS STUDY OF THE PROPOSED EC BORROWING (REFTELS). SEVERAL POSSIBLE BORROWING ARRANGEMENTS HAVE BEEN MENTIONED BUT WE MUST AWAIT THE OUTCOME OF THE MONETARY COMMITTEE MEETING TO DETERMINE IF AGREEMENT CAN BE REACHED ON A PROPOSAL FOR THE FINANCE MINISTERS TO CONSIDER.

6. SEVERAL EC OFFICIALS HAVE SAID THAT THE COMMUNITY HAS DECIDED FOR THE PRESENT TIME NOT TO PURSUE FURTHER THE PROPOSED LIMITED OFFICIAL USE

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PAGE 03 EC BRU 06755 041955Z

CREATION OF A EUROPEAN CAPITAL FUND (REF B). THIS DRAFT PROPOSAL CALLED FOR A NEW EC INSTITUTION TO ACCEPT EURODOLLAR DEPOSITS MAINLY TO FACILITATE THE RECYCLING OF PETRO-DOLLARS. THE COMMISSION REPORTEDLY DECIDED THAT SUCH A PROPOSAL WAS OVERLY AMBITIOUS AT THE PRESENT TIME. GREENWALD

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